

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6641

BILL NUMBER: HB 1675

NOTE PREPARED: Jan 20, 2007

BILL AMENDED:

SUBJECT: CHOICE and Medicaid Waivers.

FIRST AUTHOR: Rep. Brown C

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
DEDICATED
X FEDERAL

IMPACT: State

Summary of Legislation: *AAA Case Managers:* This bill requires a local Area Agency on Aging (AAA) case manager to determine an individual's eligibility for the Community and Home Options to Institutional Care for the Elderly and Disabled Program (CHOICE) and to maintain records of eligible individuals.

Prohibition of Transfers or Reversions: The bill prohibits the Office of the Secretary of Family and Social Services (Office of the Secretary) from transferring or reverting back to the state General Fund money that was appropriated for CHOICE under specified circumstances.

Reimbursement Rates and Service Standards: The bill prohibits a reimbursement rate under CHOICE from being lower than the Medicaid waiver reimbursement rate for the same service. It allows the negotiation of higher reimbursement rates for CHOICE under specified circumstances. It also requires Medicaid waiver services to meet the same service and quality standards as those required for CHOICE.

The bill also requires the Office of the Secretary to adopt a plan before July 1, 2007, to service all CHOICE-eligible individuals by January 1, 2008.

It further requires the Office of the Secretary to report to the Health Finance Commission concerning the progress in the implementation of these provisions.

Effective Date: Upon passage.

Explanation of State Expenditures: *Summary:* The fiscal impact of certain provisions in this bill will ultimately be dependent upon decisions made by the General Assembly. Other requirements may be

accomplished by the Office of the Secretary of FSSA within the existing level of resources available.

AAA Case Managers: This provision requires that Area Agency on Aging case managers would be the only persons who could determine if an individual is eligible for the CHOICE program. The AAAs would also be required to maintain records of all persons the AAA case managers have determined are eligible for home- and community-based services (i.e., CHOICE and Medicaid waiver services). This provision would bar state employees or other contractors from providing eligibility determination services.

Prohibition of Transfers or Reversions: The bill would prohibit the transfer of any amount of CHOICE appropriations to the Medicaid budget to provide the state share of funding for the Aged and Disabled Home- and Community-Based Services Waiver. This transfer has been specifically provided for in the noncode budget bill in previous years' budget bills. (P.L.246-05, the current budget, specifies that no more than \$7.9 M may be transferred from the CHOICE appropriation in FY 2007.) The fiscal impact of this provision will be dependent on the final appropriation level approved by the General Assembly. If the General Assembly chooses to reduce the CHOICE appropriation to reflect the amounts previously remaining after the recommended transfer and appropriate the funds available for transfer directly to the Medicaid program, this provision would have a neutral fiscal impact. If the Choice appropriation is left at the current level, disallowing the transfer would require additional funds in the Medicaid budget to pay for the Medicaid Aged and Disabled Waiver.

Reimbursement Rates and Service Standards: The bill would prohibit a reimbursement rate under CHOICE from being lower than the Medicaid waiver reimbursement rate for the same service. The bill would also allow for the negotiation of CHOICE rates higher than Medicaid waiver rates under certain circumstances. The Office of the Secretary has recently proposed increasing the Medicaid waiver rates and reducing CHOICE rates in order to provide an incentive to providers to serve Medicaid waiver patients. Anecdotal evidence suggested that waiver patients were unable to find providers who were otherwise willing to provide services to CHOICE patients at sometimes much higher reimbursement rates. Medicaid waiver reimbursement is funded with approximately 62% federal funds; CHOICE services are provided with 100% state funds.

The bill provides that Medicaid waiver services must meet the service and quality standards established by the CHOICE program. The standards for the CHOICE program are determined by the Division of Aging. The fiscal impact of this provision will depend on rules promulgated by the Division.

Requirements of the Secretary: The bill requires the Office of the Secretary to adopt a plan before July 1, 2007, to service all CHOICE-eligible individuals by January 1, 2008. The bill does not provide funds to implement the plan. Implementation will depend on appropriations. It further requires the Office of the Secretary to report to the Health Finance Commission concerning the progress in the implementation of these provisions.

The Medicaid Program is jointly funded by the state and federal governments. The state share of program expenditures is approximately 38%. Medicaid medical services are matched by the federal match rate (FMAP) in Indiana at approximately 62%. Administrative expenditures with certain exceptions are matched at the federal rate of 50%.

Explanation of State Revenues: See *Explanation of State Expenditures* regarding federal reimbursement in the Medicaid Program.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Division of Aging and OMPP, Family and Social Services Administration.

Local Agencies Affected:

Information Sources:

Fiscal Analyst: Kathy Norris, 317-234-1360.